

Mr. Bodmer presented rebuttal testimony and surrebuttal testimony that commented on Dr. Amit's comparative analysis. Mr. Bodmer's analysis was necessary because in comparing the ratepayer cost of Mesaba with other coal plants, Dr. Amit simply plucked numbers from a variety of disparate sources without assuring that the underlying data was consistent and without researching whether the results were logical from a financial perspective. Unlike Dr. Amit, Mr. Bodmer made a concerted effort to compare Mesaba with other coal plants using consistent assumptions and he used financial data, coal price data and plant cost data that reflects current conditions. Mr. Bodmer's analysis was completely transparent -- he explained his approach on a step by step basis in his testimony and he provided all of his financial models and other data in his workpapers.

Mr. Bodmer testified that it is appropriate to adjust the analysis of comparative coal plant costs for the lower risk offered through fixed price contracts. However, even before accounting for risk differences, Mr. Bodmer demonstrated that the ratepayer cost of Mesaba was lower than the two primary alternatives that Dr. Amit used as a basis of comparison. Mr. Bodmer carefully researched underlying data from NSP least cost plans, the Energy Information Agency, documents filed by owners of the Big Stone 2 plant and studies performed on the cost of IGCC plants. He found that once costs are placed on an equal footing with consistent basic economic assumptions -- cost of capital, interest rates and coal prices for example, the real cost of Mesaba before any risk adjustments is lower than the cost of Big Stone II or the cost of a hypothetical new unit at the Sherco site.

Mr. Bodmer also explained how the Mesaba PPA contract and real options provided by the Mesaba unit add a great deal of value to ratepayers. He noted that the risk benefits of the Mesaba PPA relative to the construction cost over-run risks, the construction delay risks, the plant performance risk, the plant availability risks, the operating and maintenance risks and the risks of changes in cost of capital that exist with a utility financed plant imply that Mesaba PPA has a 10% - 24% lower cost to ratepayers than the hypothetical plants used by Dr. Amit in his analysis.